

News from the International Capital Market Association (ICMA)

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For immediate release

Latest ICMA survey sets baseline size of the European repo market at record EUR 7,250 billion

- Repo market shows signs of adapting to new regulatory environment

(London, UK) The European Repo and Collateral Council (ERCC) of the International Capital Market Association (ICMA) has today released the results of its 34th semi-annual survey of the European repo market. The survey, which calculates the amount of repo business outstanding on 6 December 2017 from the returns of 64 offices of 60 financial groups, sets the baseline figure for European market size at EUR 7,250 billion. This is the largest figure ever recorded by the survey since it began in 2001 and exceeds pre-crisis figures for the size of the repo market in Europe. After a period of 4 years where market size has remained static, with largely seasonal fluctuations, this survey shows growth, in terms of contracts outstanding on the survey date, of 12.3% since the last survey in June 2017 and 28.2% year on year.

Godfried De Vidts, Chair of ICMA's ERCC, said: *"The survey showed strong growth as banks catch-up and release some balance sheet towards the real economy, or 'shadow banking world' as mentioned in the most recent FSB report. Regulatory uncertainties before the implementation of NSFR, CSDR and SFTR and the revision of BRRD may hold back further expansion. QE and shortages of HQLA continue to impact overall market fluidity, while banks and customers have been better prepared for year-end although ICMA's research shows the gap between buy & sell-side funding remained deep."*

[Download the 34th ICMA ERCC European Repo Market Survey](#)

Post-crisis regulation has mandated the increased use of collateral to underpin the stability of the financial system, for example in the margining of OTC derivatives. The repo market provides the mechanism by which this collateral, mostly in the form of government bonds, moves around the system. Repo market activity has however been constrained by uncertainty over the impact of post-crisis regulatory measures which have caused banks to ration their balance sheets in order to be sure of meeting regulatory ratios and the continuing effects of Quantitative Easing limiting the supply of High Quality Liquid Collateral (HQLA) securities, all of which culminated in major repo market dislocation at year-end 2016.

The increase in market size measured by the latest survey indicates that in 2017 at least some banks were adapting to the new regulatory environment and starting to make more balance sheet available to customers. Just under half the banks in the survey had expanded their repo books, but it remains to be seen if this growth is sustainable given the regulatory challenges that lie ahead with the implementation of the Net Stable Funding Ratio (NSFR), Central Securities Depository Regulation (CSDR), Securities Financing Transactions Regulation (SFTR) and other measures. Anecdotal evidence from the [ICMA report on end-of-](#)

[year conditions in the repo market in 2017](#) cites improvements in collateral management and a return to profitability for repo desks.

Other key findings from the survey

A continuing trend to increasing market share of directly-negotiated repo at the relative expense of electronic business transacted over automatic repo trading systems (ATS) whose share of the overall market represented in the survey fell. This suggests a greater focus on customer business.

Fall in the market share of tri-party repo business: as tri-party repo is a pure funding market, this reflects the impact of QE and other measures on banks' access to cash.

Cross-border business between banks in and outside the Eurozone remains the core of the repo market.

For more information about the European repo market and the repo product please see [FAQS on repo](#)

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International Capital Market Association (ICMA)

ICMA is the trade association for the international capital market with over 530 member firms from more than 60 countries, including issuers, banks, asset managers, central banks, infrastructure providers and law firms. It performs a crucial central role in the market by providing industry-driven standards and recommendations for issuance, trading and settlement in international fixed income and related instruments. ICMA liaises closely with regulatory and governmental authorities, both at the national and supranational level, to help to ensure that financial regulation promotes the efficiency and cost effectiveness of the capital market.

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ICMA European Repo and Collateral Council (ICMA ERCC)

The ICMA ERCC is a special interest group established under the auspices of ICMA to bring together the major institutions active in Europe's cross-border repo and collateral markets.